

**TESTIMONY PRESENTED TO THE INSURANCE AND
REAL ESTATE COMMITTEE**
March 1, 2011

Ron Angelo, Acting Commissioner
Department of Economic and Community Development

**HB 6470 AN ACT ADOPTING THE NATIONAL ASSOCIATION OF INSURANCE
COMMISSIONERS' INTERSTATE INSURANCE PRODUCT REGULATION
COMPACT**

Good afternoon, Senator Crisco, Representative Megna, Senator Kelly, Representative Coutu and members of the committee. My name is Ron Angelo and I am the Acting Commissioner for the Department of Economic and Community Development (DECD). I am here today to offer the following comments in **SUPPORT** of **HB 6470** An Act Adopting the National Association of Insurance Commissioners' Interstate Insurance Product Regulation Compact (IIPRC).

As you maybe aware, Connecticut is home to many of the most successful insurance and financial services companies in the world. Connecticut ranks #1 in insurance jobs per capita in the United States. Connecticut has one of the largest concentrations of financial and insurance services firms in the U.S., which accounts for 18% percent of the gross state product. Nine percent of the state's work force is employed in the sector, with high concentrations of financial analysts, underwriters, risk managers and actuaries. The insurance industry is a critical part of this sector in our state:

- Nearly 67,000 people work directly in the insurance industry with an average salary of \$81,000. They are normally high-skilled, well-paid jobs.
- Insurance companies provide 25% of all corporate giving in the state.

Interstate compacts have existed since the country was founded. Historically used to address border disputes and water rights, compacts in recent decades have been expanded significantly to cover tax issues, drivers' licenses and vehicle registration, environmental issues and emergency management. They have also been used for insurance regulation, including carrier financial exams, market conduct exams, continuing credits and other producer reciprocity issues and a host of other issues. More than 200 interstate compacts now exist, and every state, including Connecticut, belongs to at least 25 compacts.

Presently there are **38 jurisdictions** that have enacted legislation to join the IIPRC (AK, CO, GA, HI, IA, ID, IL, IN, KS, KY, LA, MA, MD, ME, MI, MN, MO, MS, NC, NE, NH, NJ, NM, OH, OK, PA, RI, SC, TN, TX, UT, VT, VA, WA, WI, WV, WY and Puerto Rico). Connecticut, the "Insurance State", is the only New England state that is not a member of the Compact.

The IIPRC follows the same principle as other compacts: it allows states to cooperate on multi-state or national issues while retaining state control. The compact is a central point of filing, reviewing and approving insurance products based on national uniform standards with strong consumer protections. **If adopted it will enable our domestic insurance businesses to better compete nationally and globally.**

This is a global business that faces enormous competition. To stay ahead of the competition, insurance companies must create and implement products quickly. In the past a product had a shelf life of five or more years, but now companies are fortunate if products last two years. Consumer and business needs change rapidly and in order to survive businesses must do the same. Getting products approved quickly is imperative and businesses will locate in states where they can accomplish this. There is no question that regulatory costs and the ability to quickly adapt to market changes are deciding factors when companies are relocating or expanding, and states are taking advantage of this by marketing themselves as "compact" states.

The NAIC is moving quickly to implement the interstate compact. Since its first gathering in June 2006, the Interstate Compact Commission has established a management committee, adopted bylaws, elected officers and approved national standards for 38 products.

Since meeting its operational threshold in May 2006, the IIPRC now represents over 60% of the premium volume nationwide. The Management Committee of the IIPRC manages the affairs of the Commission. The Management Committee Members currently include the seven largest Compacting States according to premium volume: Illinois, Michigan, New Jersey, North Carolina, Ohio, Pennsylvania and Texas; four mid-sized states, Maryland, Missouri, Virginia, and Wisconsin; and one additional state from each of four regional zones, Kansas, Mississippi, New Hampshire and Washington.

The compact does not pit the interests of business against consumers. In fact, it represents a "win-win-win" for consumers, state insurance regulators and insurers. As you know, the national banks and securities firms typically have one federal regulator in contrast to the current state-based system of insurance regulation. It has become a business imperative for life insurers to seek a system of insurance regulation that allows them to market their products and compete more effectively for business throughout the U.S.

If passed, our state insurance regulators will be able to share best practices and use their resources more effectively. This will also allow Connecticut's insurance companies to be more competitive, enabling them to grow, prosper and expand in our state. Without the state's participation in this compact it is feared that we will fall behind other states.

Therefore it is the department's hope that you will support keeping our state flagship industry competitive and approve this legislation.

Thank you for consideration of my comments I would be happy to answer any questions you may have.